



FY 2017-2018 Budget Message

To: The Honorable Mayor Braxton and Town Board, and Topsail Beach Citizens

Date: May 24, 2017

On behalf of the entire Topsail Beach staff, I am pleased to submit to you the Manager's Recommended Budget for FY 2017 – 2018 for your review and consideration. The development of this proposed budget is consistent with the requirements set forth in the North Carolina General Statutes, particularly with respect to the Local Government Budget and Fiscal Control Act. It combines the goals and vision of the Board with the sound financial principles the Town has followed over the years. The budget process started in January 2017 as the staff began its review of departmental needs, focusing on the provision of services in the most efficient and cost effective manner. The staff considered specific needs, historic trends, and direction from the Board of Commissioners while preparing their requests. The proposed budget takes into account specific mandates from both the state and federal governments, as well as the current proposed changes in legislation that could affect state shared revenues and levels of service. The budget document provides detailed line item information that describes revenues and expenditures for each annually-budgeted fund.

This year's recommended General Operating Budget is a balanced budget totaling \$28,530,333 for the General Fund, Restricted Funds and the Utility Enterprise Funds. This compares to \$5,480,632 (as amended) in FY 2016 – 2017. The significant increase is due to the budgeting of our next Storm Damage Reduction Project budgeted in the BIS Fund, which accounts for \$24,700,000. A closer look at the breakdown of the budget by fund shows the following:

	<u>FY 2017</u>	<u>Proposed FY 2018</u>
General Fund	\$3,023,016	\$2,816,060
BIS Fund	\$1,576,700	\$24,807,100
Utility Fund	\$880,916	\$907,173

This proposed budget recommends leaving the tax rate level at \$0.3125 per \$100 valuation. The General Fund tax rate would remain at \$0.1925 per \$100 valuation, while the BIS Fund would remain at \$0.12 per \$100 valuation. The combined tax rate for Topsail Beach of \$0.3125 is still in line with similar coastal communities in the area, and in many cases considerably lower. This budget does propose a change in the distribution of the Topsail Beach Accommodations Tax. Currently the revenues generated from this tax is divided between the General Fund and the BIS Fund at a rate of 65% BIS and 35% General Fund. This budget recommends changing the distribution to a 50% split between the two funds. This still meets the requirements for the use of this revenue. The Pender County Accommodations Tax will remain in the BIS Fund at 100%.

In preparing this budget staff considered many factors that impact Topsail Beach today. Although relatively small in geographic size and population, Topsail Beach provides services to a large number of people, particularly during the vacation season. As part of the greater Wilmington region, Topsail Beach is host to many weekly renters and day trippers that come to experience our large, clean beaches and easy-going lifestyle. Visitors from every state in the United States visit Topsail Island, many of which spend time at our beach or in our waterways. Providing services to our residents, property owners, and visitors takes a lot of effort by the Town, and its huge success in our Beach Nourishment Programs and erosion control efforts has made Topsail Beach a premier location. This was accomplished by hard work, smart planning, and cooperative efforts by our elected officials, citizens, and staff, along with the help of the State. The Town must remain diligent in these efforts to maintain our pristine beaches, as well as continuing to provide our core services at a high level.

This annual budget provides details of the spending plan for the year and sources of revenue to meet those obligations. Also included are specifically identified goals and objectives for each department. The tables on the following pages highlight both the revenues and expenditures proposed for FY18 in comparison with the FY17 budget. Also shown are actual revenues and expenditures for FY16 and year-to-date FY17. The breakdown of revenues includes Operating Revenues, Grant Proceeds, and Transfers In from Capital Reserves. Expenditures highlight Personnel and Operating Costs, Capital Outlay, and Debt Service.

FY 2018 BUDGET HIGHLIGHTS

The first step in the budget process is to review the revenue estimates for the upcoming year and to explore the needs of each department in an effort to begin the development of a comprehensive balanced budget. Provided below are the highlights of the key budget indicators and projections.

Revenues

This year's estimated revenues are relatively consistent with previous years. In the Manager's Recommended Budget, the tax rate remains at \$0.3125 per \$100 valuation, \$0.1925 of which is allocated to the General Fund. The other \$0.12 currently goes to BIS. As mentioned earlier, the

only significant change is the proposed re-allocation of the Topsail Beach Accommodations Tax. Below are a few highlights found in this budget.

- ❖ According to the Pender County Tax Assessor's Office, the total assessed value for property in Topsail Beach for FY 2018 is \$627,558,003. This represents real and personal property and motor vehicle tax. This compares to \$623,475,257 for FY 2017.
- ❖ Each penny on the tax rate is worth \$62,755.
- ❖ Accommodations tax (both for Topsail Beach and Pender County) are anticipated to increase by 2.5% over last year for a total amount of \$820,000. Of this amount, \$205,000 is allocated to the General Fund. (The rest is for the BIS Fund).
- ❖ According to State Revenue sources, the distribution of Utilities Franchise Fees at the state level is expected to decrease over the next year. It should be noted however that the funds are impacted by the weather. Mild winters and summers can cause a decrease in revenues.
- ❖ Sales tax figures (both Local Option Sales Tax and County Option 4) are projected to increase by \$25,000 in this budget.
- ❖ In FY 2017 the Town established a policy to fund the Capital Reserve Fund which is designed to plan for larger one-time capital needs in the future. This preliminary budget includes approximately \$177,000 transferred from the Capital Reserve Fund to meet this year's needs.
- ❖ By comparison, General Fund Revenues for FY 2017 (amended Budget) was \$3,023,016 compared to early estimates of \$2,816,060 for FY 2018.
- ❖ The projected BIS Fund budget revenues of \$24,807,100 for FY 2018 include approximately \$16 million from the NC Shallow Draft Navigation Channel Maintenance and Aquatic Weed Fund and \$6.8 million from FEMA as a result of Hurricane Matthew. This compared to \$1,576,700 for FY 2017.

Expenses

Much of the operational expenses have not changed significantly over the previous year. Department heads were charged with the task of keeping operational costs as close to previous years as possible, and to identify potential cost reductions. Any increased costs within individual departments are generally related to larger capital needs. The proposed budget also includes an increase to the salary line item for potential salary adjustment/merit increases. Detailed line item expenses are shown in the budget by department later in this document. Funds are appropriated at adequate levels in order to maintain or improve the quality and the level of service that has been provided historically. The major expenditures by function are shown as follows:

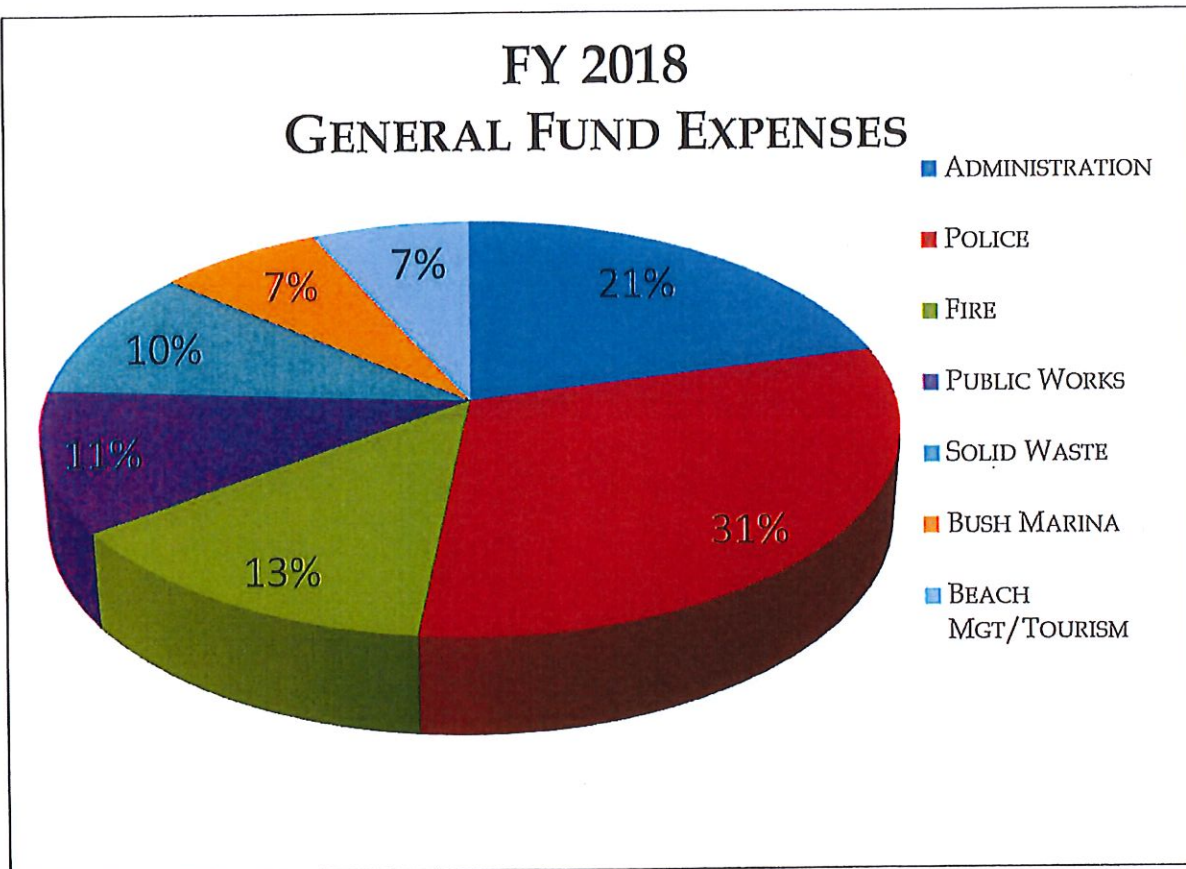
GENERAL FUND / CAPITAL FUND

- ❖ Administration (includes Town Board, Administration, and Inspections/Planning)
- ❖ Public Safety (includes Police and Fire)
- ❖ Public Works (includes Public Works, Solid Waste, and Powell Bill)
- ❖ Beach Management (includes Bush Marina, Beach Management & Tourism, and Federal Project)
- ❖ BIS

ENTERPRISE FUNDS

- ❖ Utility

Public Safety accounts for approximately 44% of the operating and capital budget within the General Fund. Much of the larger expense is in capital as the Town provides for vehicles and equipment necessary for the provision of services. Personnel costs are also a significant portion of the operational costs as both police and fire provide for protection to our citizens and businesses on a 24/7 basis. Administration accounts for the next largest percentage of annual cost at 21%. The chart on below highlights the General Fund expenses by department for FY 2018.



Expenses are divided into four major categories - personnel, operating expense, debt service, and capital outlay. These categories are summarized below:

Personnel - Expenses which can be directly attributed to the individual employee. These expenses include salaries, wages, insurance benefits, retirement, 401k, and FICA. The costs of such expenditures have been budgeted within each operating department to give a more accurate cost of departmental operations.

Operating Expenses - Costs other than personnel and capital outlay that are required for the operations of the Town. Operational line item expenditures are directly affected by increasing costs of goods and materials, greater service demands and enforcement of government regulations. Examples of operating expenses include departmental supplies, motor fuels, utilities, and equipment or vehicle maintenance. Operating expenses also include contracts with outside agencies.

Debt Service - North Carolina General Statutes also require that provisions be made to meet annual payments on debt issued within prior years and commitments of the current year's budget. The Town is contractually obligated to provide the annual funding to meet these obligations.

Capital Outlay - Capital outlay includes expenditures for the purchase and/or construction of land, buildings, vehicles, equipment, fixtures and other infrastructure (including roads, sidewalks, storm water drainage) which are too permanent in nature to be considered expendable at the time of purchase. Generally capital items should have a value of \$5,000 or more with an expendable life of more than one year.

An overview of the combined expenses for the General Fund can be found on the following tables.